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SIPDIS

SENSITIVE

COMMERCE FOR SECRETARY GUTIERREZ  
COMMERCE FOR EXIM, OPIC, SBA, TDA, AND USED FOR IADB  
STATE FOR WHA/CEN, EB, INL, DRL, CA, AND PM  
STATE PASS USAID FOR LAC/CAM

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SUBJECT: Scenesetter for Secretary Gutierrez Visit to  
Honduras October 18-20

1. (U) Summary: Post welcomes the visit of Secretary Gutierrez to San Pedro Sula, Honduras, on October 18-20. Honduran President Ricardo Maduro, with less than four months remaining in his constitutionally-mandated single four-year term, faces a difficult task leading one of the poorest countries in Latin America. There will be national elections for a new President, the unicameral Congress, and all 298 municipalities on November 27. The election season is already in full swing with the two major parties' candidates, Porfirio "Pepe" Lobo, the President of the current Congress, and Manuel "Mel" Zelaya, a former Economic Development Minister, having won primary elections in February.

2. (U) Honduras faces many challenges, including corruption, unemployment, high levels of violent crime, a highly skewed distribution of income, and a weak judicial system. Despite these challenges, there were several positive economic developments in 2004 and 2005, including: continued fiscal restraint under an agreement with the IMF; reaching the Heavily Indebted Poor Countries (HIPC) completion point in late March 2005; the negotiation of up to USD 2.8 billion of debt forgiveness from Paris Club and G-8 creditors; the signing and ratification of the U.S.-Central American Free Trade Agreement (CAFTA) with the United States; and Honduras' selection as a grantee for a USD 215 million program by the Millennium Challenge Corporation. Despite historically high energy prices in 2005, Honduras also maintained single-digit inflation rates and an estimated 4.5 percent growth in GDP in 2004 and early 2005.

3. (SBU) Bilateral relations between the U.S. and Honduras are excellent. Honduras' support for the Global War on Terrorism is steadfast, and the Government of Honduras (GOH) is among the group of nations that sent troops to Iraq in support of Operation Iraqi Freedom, although these troops have since returned. Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras voted for the U.S.-drafted UN Commission on Human Rights (UNCHR) resolution on Cuba, which passed in April. End Summary.

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Economic Overview  
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4. (U) Honduras, with a per capita income of \$950, is the third poorest country in the Western Hemisphere, ahead of only Nicaragua and Haiti. The economy grew by 3.2 percent in 2003, and by an estimated 4.5 percent in 2004. However, over the past decade, the rate of economic growth has been only slightly faster than the rate of population growth, which is 2.7 percent per year. The currency (the Lempira) is loosely pegged to the U.S. dollar, devaluing against the dollar 4.4 percent in 2004 to a rate of 18.9:1. Inflation remains relatively tame, though above target, at 9.6 percent. Government securities yield approximately 11.5 percent, and interest rates on commercially available credit range from 19 to 22 percent for premier clients. Social indicators in Honduras are gradually improving, but nearly two-thirds of all Hondurans still live in poverty, and average education levels are very low (estimated at five years education, based on semi-annual household surveys conducted by the National Statistics Institute).

5. (U) Historically, the Honduran economy was long dependent on exports of coffee and bananas. In the past fifteen years, however, the economy has diversified, with the development of non-traditional exports such as shrimp and melons, an increase in tourism, and the establishment of a strong "maquila" (light assembly) industry (primarily textiles and assembly of apparel for re-export). Investment incentives aimed at attracting foreign capital in export industries have been introduced. In recent years, the coffee industry has suffered from low world prices, and the banana industry was severely damaged by Hurricane Mitch in 1998. Banana production has yet to reach pre-Mitch levels,

and coffee and bananas now account for less than 15 percent of Honduran export earnings.

16. (SBU) Despite the recent economic diversification, there continues to be a large subsistence farmer population with few economic opportunities (other than illegal immigration to the U.S.). Furthermore, the Honduran government's desire to attract new types of foreign investment has been hindered by a wide range of investment climate and competitiveness problems, including public insecurity, weak judicial protections of investor rights, and corruption.

17. (U) Family remittances from Hondurans living abroad, particularly the U.S., grew by 19 percent to USD 1,135 million in 2004, and, is estimated to be 1.4 billion in 2005, will soon pass the maquila sector as the country's largest source of foreign exchange. The U.S. is Honduras' largest trading partner, and the roughly 150 U.S. companies that do business in Honduras constitute the largest block of foreign direct investors.

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The Importance of CAFTA  
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18. (SBU) On March 3, 2005, the Honduran Congress approved the U.S.-Central American Free Trade Agreement (CAFTA) by an overwhelming margin. The agreement was negotiated in 2003 and 2004 among the United States, Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica, and the Dominican Republic, and has also been approved by El Salvador, Guatemala, and the Dominican Republic. The agreement was ratified by the United States on July 27, 2005, but will not enter into force until a U.S. Presidential proclamation is issued certifying that all ratifiers are in compliance with the relevant terms and conditions.

19. (SBU) In Honduras, CAFTA is strongly supported by most of the private sector, especially the textile and apparel industry. While the agreement was approved by voice-vote only and an exact count is therefore not available, witnesses reported that, of the 128-member Congress, there were more than a hundred votes in favor, and only four against. CAFTA therefore was supported by not only the ruling National Party, but also by the opposition Liberal Party and two of the smaller parties in Congress as well. Only one small leftist political party voted against the agreement. The agreement has also been opposed by some NGOs, labor unions, and campesino groups, who are concerned that small-scale Honduran farmers will be unable to compete with subsidized U.S. agricultural products.

110. (SBU) President Maduro's team hopes that CAFTA, once in effect, will lead to faster economic growth and serve as a catalyst for regional economic cooperation and integration. The agreement is considered to be absolutely vital to the survival of the textile and apparel sector in Honduras now that worldwide quotas have been eliminated. It is estimated that in 2004 Honduras received at least \$200 million in new foreign investment, most of it from the United States, as a result of the anticipated benefits of CAFTA. The agreement's agricultural chapter will liberalize agricultural trade gradually while protecting Honduran farmers from sudden disruptions caused by subsidized imports. The agreement also will spur modernization in government procurement and services and will help lock in the GOH's structural reforms in areas such as telecommunications.

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Millennium Challenge Account Proposal  
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111. (SBU) In 2004, Honduras was chosen as one of sixteen countries eligible (out of 75 considered) to apply for assistance under the \$2.2 billion Millennium Challenge Account (MCA). Countries were selected based upon past and current policy performance in the areas of governing justly, investing in their own people, and promoting economic freedom. In June 2005, the Millennium Challenge Corporation (MCC) approved \$215 million in funding over five years for a Honduran-drafted proposal focusing on highway infrastructure and integrated rural development. Honduras was one of the first countries in the world to sign an MCC Compact, and continues to demonstrate the requisite political will to implement the program as soon as possible. Legislation establishing MCA-Honduras (the local body that will oversee and implement the project) was approved by Congress and the first official meeting of MCA-Honduras was held September

129. Legal and technical discussions continue, as do selection processes for senior MCA-Honduras officials and publication of bid documents for oversight and procurement services. First disbursement is expected in early CY 2006.

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IMF Agreement and Debt Relief  
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¶12. (U) In February 2004, after almost two years of negotiations, the Maduro Administration signed a Letter of Intent with the International Monetary Fund, which was later approved by the IMF's Executive Board, for a new three-year arrangement for Honduras under the Poverty Reduction and Growth Facility (PRGF). In April 2004, Honduras reached agreement with Paris Club creditors on the immediate cancellation of \$147 million in debt payments and the restructuring of over \$200 million more. Honduras has committed to devote resources freed by this treatment to priority areas outlined in the country's poverty reduction strategy. The first review of the PRGF program was conducted in September 2004, and the IMF found that Honduras' performance was strong. The IMF and the World Bank announced in April 2005 that the GOH had reached its Heavily Indebted Poor Countries (HIPC) completion point due to good PRGF implementation.

¶13. (SBU) Having obtained Completion Point, Honduras approached the Paris Club (international group of bilateral and multilateral creditors) and the Group of Eight industrialized countries, seeking forgiveness or restructuring of an estimated USD 1.2 billion in external debt. In July 2005, Honduras announced it had received a combined total of \$2.8 billion in debt relief from bilateral and multi-lateral donors. The GOH estimates this will eliminate debt service payments of \$212 million per year. The GOH has committed to applying these funds to poverty alleviation, as laid out in the existing Poverty Reduction Strategy. The USG and other donors remain vigilant that these funds not be stolen or diverted to off-budget items, non-poverty-reducing activities, or recurrent budget expenses. In particular, Post is watchful for any signs that these funds could be used to fund the 2005 Presidential campaigns, or to pay for unsustainable growth in teachers and medical salaries (which the GOH has committed to reining in by 2007).

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Political/Military Issues  
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¶14. (SBU) President Maduro is a solid supporter of the U.S. on the Global War on Terrorism. The GOH has responded quickly to all USG requests regarding terrorist threats and financing, although to date, no terrorist assets have been found in Honduran financial institutions. Honduras is a party to all UN and OAS counter-terrorism conventions and protocols and has also been aggressive in upgrading port security. Honduras was also the first country in the Western Hemisphere to sign and ratify an International Criminal Court (ICC) Article 98 Agreement with the United States.

¶15. (U) Honduras has a civilian Minister of Defense and a Chief of the Joint Staff who heads the Honduran Armed Forces (HOAF). In January 1999, the constitution was amended to abolish the position of military commander-in-chief of HOAF, thus codifying civilian authority over the military. Civilian control over the HOAF is complete, and civil/military relations are good. This transition has resulted in greater transparency and fiscal accountability. The HOAF has a new focus on trans-national threats, including counter-terrorism, drug trafficking, and combating international criminal organizations. The HOAF is interested in establishing an ability to further increase its participation in international peacekeeping operations. Honduras also stands ready to participate in a regional arms "rationalization" process but has announced that it will not negotiate on a bilateral basis.

¶16. (SBU) Honduras has taken the lead in a number of regional initiatives to enhance cooperative security against emerging transnational threats. Within the past year, Honduras has hosted a "round-up" of maritime forces to conduct combined training and operations; the Honduran Air Force hosted a Central American air security conference that resulted in agreements for improving cross-border/regional communications and coordination in addressing illegal flights; during a recent Central American summit, the presidents unanimously agreed to the Honduran call for the establishment of a regional rapid reaction force to deal with the rise of narco-terrorism in Central America. Additionally, Honduras has hosted and participated in two combined U.S. Joint Chiefs of Staff (JCS) level special operation exercises in 2005: Gallant Journey and Bold Warrior.

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Election Season Underway  
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¶17. (U) Honduras' open primary election for national and local races took place February 20, with general elections

set for November 27. Under a new Electoral law reform passed early in 2004, Honduran voters select candidates for the National Congress based not only on their names but also on their photographs, a process without precedent in Honduras. This new method for the direct election of congressional members contrasts with the old system whereby candidates were elected on party rank-ordered congressional lists. Only the National and Liberal Parties participated in the primary election - the other three small parties will join the two larger parties in the general election. USAID and other international donors provided approximately \$5.5 million to support the primary elections, and presently, about \$3.4 million is available from international donors to support the general elections in November. A Supreme Electoral Tribunal, managed by political party appointees, has national authority to run the elections.

18. (SBU) In the race for presidential nomination on the Nationalist's side, President of Congress Porfirio "Pepe" Lobo defeated Tegucigalpa Mayor Miguel Pastor. On the Liberal side, politician Mel Zelaya won a majority over a crowded eight-candidate pack. Lobo, for all intents and purposes, was the current administration's candidate (although the GOH did not say so publicly or in private), and had the support of the traditional National Party machine. Both Lobo and Zelaya support CAFTA and have made it clear that the U.S. is the key partner for Honduras. The race is a toss-up at this point, with polls showing the two fighting for the lead.

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Iraq, Haiti, and Other Key Foreign Policy Goals  
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19. (SBU) The GOH is very supportive of U.S. foreign policy goals, including the reconstruction of Iraq. In support of Operation Iraqi Freedom (OIF), the GOH deployed two 370-men task forces to the vicinity of An Najaf as part of the Spanish Brigade operating under the Polish Division. However, following Spain's decision to withdraw its troops in April 2004, Honduras did likewise, although Honduras' withdrawal was not linked to the Spanish decision. Previously, Secretary Powell, Chairman of the JCS GEN Myers, and Secretary Rumsfeld all visited Honduras in 2003 to thank the GOH for its support of OIF. Their visits were well received and provided important political support for Maduro's Iraq policy. As in most of the region, the general public overwhelmingly opposed the Honduran deployment. While Honduras has left Iraq, the GOH is considering deploying troops to Haiti in support of UN peacekeeping operations there. Honduras is also very supportive at the UN, sharing our views on resolutions covering such key issues as human rights, human cloning, and the Middle East. Honduras introduced a UN Commission on Human Rights (UNCHR) resolution on Cuba, which passed in April 2004, and voted for the U.S.-drafted UNCHR resolution on Cuba, which passed in April 2005.

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Soto Cano Air Base - Joint Task Force Bravo  
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20. (SBU) Approximately 570 U.S. service men and women, 14 civilian DOD employees, and 63 Locally Employed Staff (Hondurans) are currently stationed at Honduras' Soto Cano Air Base under the command of the Combatant Commander, U.S. Southern Command (SOUTHCOM), as Joint Task Force Bravo, with the responsibility for disaster relief, joint and combined training exercises, and counternarcotics missions in the assigned geographical area. In 1954, the USG and GOH signed a Bilateral Military Assistance Agreement that set forth their intention to work closely together to foster peace and security in the western hemisphere. The ICC Article 98 Agreement with Honduras is therefore a particularly important accomplishment and enables our military forces to continue to work with the Honduran military and government.

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Counternarcotics  
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21. (U) Honduras' geography places it squarely in the middle of a major illegal drug trans-shipment zone, and the trans-shipment of cocaine through Honduras by air, land, and maritime routes continues. However, this trade has now begun to face significant disruptions. In 2003, overall seizures in Honduras of approximately 6,000 kilos were higher than the past five years combined, and in 2004, Honduras seized approximately 3,869 kilos of cocaine. Thus far in 2005, the GOH has seized 208 kilos of cocaine and \$374,440 in drug money. These seizure figures do not count thousands of kilos of cocaine seized by the U.S. Coast Guard off Honduran-flagged vessels operating in international waters. Close USG-GOH cooperation, thanks to a Maritime Agreement, has allowed these narcotraffickers and the drugs to be brought to the U.S. for prosecution.

122. (SBU) Corruption within the police, Public Ministry (prosecutors), and the judiciary remains a primary impediment to successful law enforcement cooperation. Previously, the National Council for the Fight Against Drug Trafficking (CNCN) was active in leading the country's counternarcotics efforts. Available funds to implement a government approved master counternarcotics plan, though, remain severely limited.

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Border Relations  
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123. (SBU) Honduras has land border disputes with El Salvador and Nicaragua and some of its seven maritime neighbors. Maduro has been personally engaged with his Presidential counterparts in addressing these issues. The Gulf of Fonseca on the Pacific coast has been a particularly difficult area. A 1992 International Court of Justice (ICJ) ruling laid out a shared area of control in the Gulf of Fonseca and established the land border between Honduras and El Salvador, although El Salvador has been slow to implement the ruling. In September 2002, El Salvador requested a revision of the 1992 ICJ ruling. In December 2003, the ICJ ruled against the Salvadoran appeal, bringing an end to the case. The Organization of American States (as a neutral third party) is providing both nations with technical assistance to help them implement the non-disputed elements of the ICJ's ruling.

124. (SBU) On the Caribbean coast, Honduras and Nicaragua have a long-standing maritime border dispute over the 15th parallel. In the past, the dispute has threatened to derail trilateral counternarcotics operations. In 1999, Honduras provoked Nicaraguan retaliation when it signed a maritime treaty with Colombia recognizing the 15th parallel as its maritime border. Nicaragua subsequently filed an ICJ case over the maritime border and, more importantly, in 1999 slapped a punitive 35 percent tariff on Honduran goods. This tariff remained in place until April 2003, despite a Central American Court of Justice ruling that it was illegal. Only after Honduras responded with a retaliatory tariff, threatening Nicaraguan exports, did Managua rescind the tax. Nicaraguan naval forces recently seized eight Honduran fishing boats in disputed waters. Tensions flared recently over possible oil exploration in the disputed area. Cuba suspended negotiations with Honduras over a maritime boundary agreement near completion due to the GOH's introduction of the UNCHR resolution on Cuba in 2004. The agreement has yet to be finalized.

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Port Security  
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125. (U) Puerto Cortes is the 37 largest trading port with the U.S. by volume, according to U.S. Customs and Border Patrol (CBP). Approximately 41 percent of all Honduran exports are destined for the U.S. (75 percent of which transits Puerto Cortes), and significant import-for-re-export containerized traffic also occurs, largely to feed the booming Honduran maquila sector. The GOH has taken a very pro-active stance in addressing port security issues, and met the International Maritime Organization's (IMO) July 1, 2004, deadline to certify its ports as meeting the new, more stringent port security standards under the International Ship and Port Facility Security Code (ISPS) and Maritime Transportation Security Act of 2002. Puerto Cortes is the largest port on the Caribbean side of the Central American isthmus and currently provides container service to the U.S. market, not just for Honduran exports, but also for goods from Guatemala, El Salvador, and Nicaragua.

126. (U) The GOH hosted a successful visit (the first in the Western Hemisphere) of a U.S. Coast Guard (USCG) port security program team in June 2004. The team came to assess Honduras' implementation of the ISPS. It reviewed security practices at five national ports, met with the national commission on port security, and discussed Honduran port security regulations with the newly created (per the ISPS) national port security authority. The USCG team reported that it had identified several very innovative and efficient security practices that it would carry back to the port facilities in the U.S. as "best security practices".

127. (U) Puerto Cortes' volume of trade with the U.S. earned it a place on the Container Security Initiative (CSI) short-list. However, it was GOH unilateral efforts to improve the port - notably including completing a successful U.S. Coast Guard review in June 2004 and the December 2004 GOH decision to install gamma-ray scanning devices at the port - that convinced CBP to move forward with CSI at Cortes. Negotiations are ongoing between the GOH and CBP over the functioning, composition, vetting, and duties of the bi-



national customs team that would enforce CSI. Construction on CBP office space at Cortes has already commenced and should finish in Fall 2005. The office will be staffed by three to five officers of the CBP, pending the negotiation and signing of a Declaration of Principles. Throughout this process the GOH team has been very responsive and results-oriented. GOH political will to see CSI implemented is unquestioned.

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Public Security and Human Rights  
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128. (SBU) Upon taking office in January 2002, President Maduro's first act was to fulfill his main campaign promise -- a zero tolerance campaign against the country's intolerably high crime situation. He deployed more than 5,000 soldiers to the streets to support the police. The public responded enthusiastically. However, after initial success of establishing a visible police presence, violent crime, particularly homicides, continued at a high rate. On December 23, 2004, gunmen killed 28 people and wounded an equal number on a bus in Chamelecon (near San Pedro Sula in northern Honduras). Police believe that the Mara Salvatrucha (MS-13) gang was responsible for the massacre. The U.S. is helping the Maduro government establish an anti-kidnapping unit, increase intake/training of police recruits, create a model tourist police force, boost its counternarcotics efforts, expand the Frontier Police, and improve prosecutorial and forensic capacities. The country's geographic position makes it an obvious strategic transit point for narcotics trafficking, alien smuggling operations, trafficking in persons, and other organized crime activities.

129. (SBU) Extrajudicial killings, especially of children and young adults since 1998, have been a source of serious concern, and only since 2002 has the GOH begun to take steps to investigate the hundreds of unsolved cases. Human rights groups regularly accuse former security force officials and the business community of colluding to organize "death squads" to commit these summary and arbitrary executions. In April 2003, 68 persons, 61 of them Mara 18 gang members, were killed in a violent incident at El Porvenir prison near La Ceiba. Reports produced by the Public Ministry, a Special Commission of the Honduran National Council for Internal Security (CONASIN), and the Human Rights Commissioner put the blame for the vast majority of deaths on government security forces (police and military under police command) and non-gang member inmate trusties. In May 2004, the Public Ministry filed criminal charges against 51 people for alleged involvement in the deaths. The Deputy Warden, who was in charge at the time of the incident, was convicted in December 2004 of murder and attempted murder and sentenced in February 2005 to 19 years in prison. In a separate incident in May 2004, a fire at the Granja Penal prison in San Pedro Sula claimed the lives of 107 MS-13 gang members. Although it appears GOH authorities were not complicit in this event, timely assistance to inmates that could have prevented many deaths was withheld due to security concerns.

130. (SBU) While Honduran labor law is deficient in some areas with respect to International Labor Organization core conventions, the main issue for the protection of labor rights, including freedom of association and collective bargaining, is the effective enforcement of existing laws. There are serious problems with child labor in several industries, particularly melon, coffee, and sugar cane (but not in the maquila sector), as well as in the informal economy, and trafficking in persons of women and children for commercial sexual exploitation in the U.S., Central America, and Mexico. USAID and Peace Corps have both been involved in HIV/AIDS prevention.

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Corruption and Rule of Law  
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131. (SBU) Honduras remains one of the most corrupt countries in the Western Hemisphere and was recently ranked 114 out of 146 countries surveyed by Transparency International, an NGO that tracks international corruption issues. Only Bolivia, Guatemala, Haiti, and Paraguay scored lower in the Western Hemisphere. U.S. policy to combat endemic corruption has struck a nerve in Honduras, especially any mention of our visa revocation authorities. The Director of Immigration, Ramon Romero, was arrested on May 1 for his alleged role in a corruption/fraud scandal involving the illegal sale of valid Honduran passports, visas, and residency documents to third country nationals. On May 2, the Minister of Government and Justice fired 71 Immigration employees and transferred another 37. However, the problem within immigration and the control over Honduran identity documents is still a major concern, and the GOH has not taken proper action to address the pervasive corruption. This is most

evident in the ongoing judicial proceeding regarding ex-director Romero, which continues to proceed at an agonizingly slow pace.

132. (SBU) Maduro has stated he is willing to address corruption, even if it will cost him political support within his party, but real achievements to date have been few. Of particular concern are individual judges and prosecutors who solicit and/or remain open to offers of bribes. The Attorney General's office has been unwilling, or unable, to prosecute high-profile cases, with the notable exception of several sitting congressmen recently accused of drug trafficking and other offenses. Until recently, immunity from prosecution for government officials precluded action against senior officials. Given the scope of the problem, any public discussion about the country's pervasive corruption is a positive development.

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USAID Programs  
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133. (SBU) The USAID Central America and Mexico (CAM) Regional Strategy focuses bilateral and regional USAID investment on the three performance arenas of Ruling Justly, Economic Freedom, and Investing in People and is closely aligned with the goals of the Millennium Challenge Corporation (MCC). USAID supports the Ruling Justly objective by increasing the responsiveness and accountability of public institutions, while also building on successful municipal development programs to create better models for governance, justice reforms, and transparency and participation. In the arena of Economic Freedom, there is a concerted focus on trade policy and preparations to ready Honduras' participation in the CAFTA and FTAA. USAID strives to bridge agricultural production in rural areas with relatively higher value processing and marketing enterprises in urban centers. The integrated natural resource management program emphasizes sustainable land and water-use, biodiversity, and reduced disaster vulnerability. Also, to support the Investing in People objective, the health program aims toward improving reproductive health, family planning, child survival, prevention of HIV/AIDS and other infectious diseases, and household food security. Seeking a better-educated Honduran work force through expanded access at the pre-school, middle school, and upper secondary levels (grades 10-11) is done using alternative delivery systems and implementing the Centers for Excellence in Teacher Training (CETT) Presidential Initiative. USAID is also assisting GOH efforts to develop quality education standards, testing, and evaluation.

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Consular/Immigration Issues  
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134. (SBU) An estimated 800,000 Hondurans live in the U.S., both legally and illegally, a fact that places immigration issues high on the bilateral agenda. (The population of Honduras is approximately 7 million.) Approximately 82,000 of these Hondurans currently enjoy Temporary Protected Status (TPS), which was granted to certain Hondurans who were in the United States illegally at the time of Hurricane Mitch in 1998. In October 2004, the Department of Homeland Security extended TPS for these Hondurans until July 2006, a move that the GOH deeply appreciated. The GOH is also very interested in any possible U.S. Congressional action on immigration reform. The GOH is currently working closely with the USG to expedite the issuance of travel documents to facilitate the deportations of Hondurans who have illegally entered the U.S. As part of this cooperation the GOH is planning to expand permission for Justice Prisoner and Alien Transport System (JPATS) deportation flights to land in San Pedro Sula in addition to Tegucigalpa.

135. (SBU) With approximately 11,000 American citizens residing in Honduras (this includes American citizens that also hold Honduran citizenship) and many thousands visiting Honduras annually for tourism and business, American Citizen Services are a key part of the Embassy's work. Since 1995, 46 American citizens have been murdered in Honduras; ten of these have occurred in the past year. There was not much progress on most of these cases until 2003, but there have now been 27 convictions in 14 cases, and six cases have been closed. Better coordination among the investigative police, prosecutors, and the Embassy has revived investigations into several previously cold cases. Some progress has been made on extradition cases involving American citizens residing in Honduras who are wanted for felonies in the United States. In September 2005, the USG extradited a Honduran wanted for major financial fraud in Honduras.

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Embassy Tegucigalpa  
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136. (SBU) Embassy Tegucigalpa is a medium-sized post, employing approximately 119 U.S. citizens and 344 Locally Employed Staff (mostly Hondurans) among 14 USG agencies. The Peace Corps program, with approximately 192 volunteers, is one of the world's largest, and the USAID mission has a FY06 budget of \$45 million. The Mission maintains a Consular Agent in Honduras' second largest city and industrial center, San Pedro Sula.

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